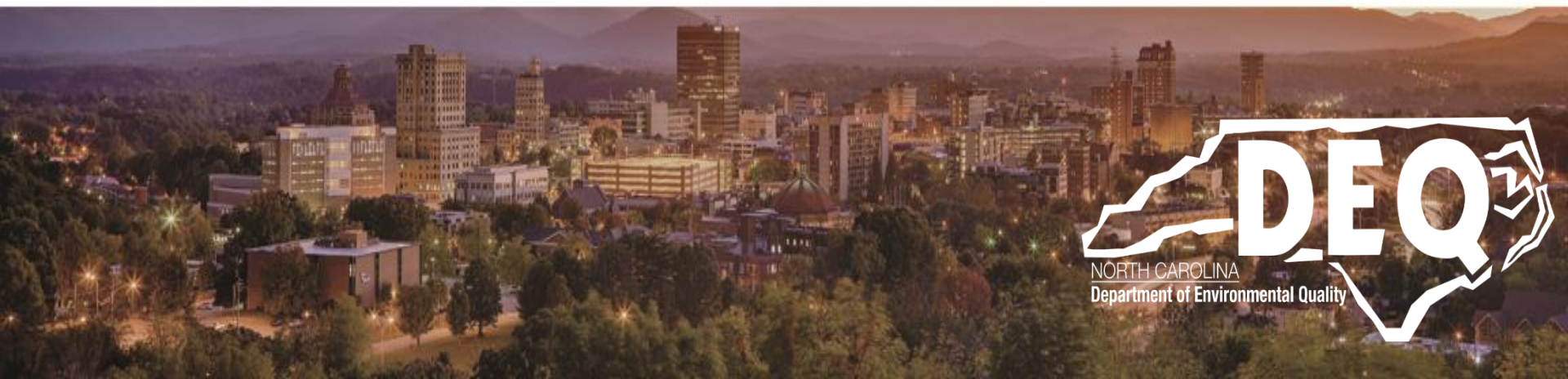




September 26, 2018

Committee to Study Rates and Transfers/Public Enterprises

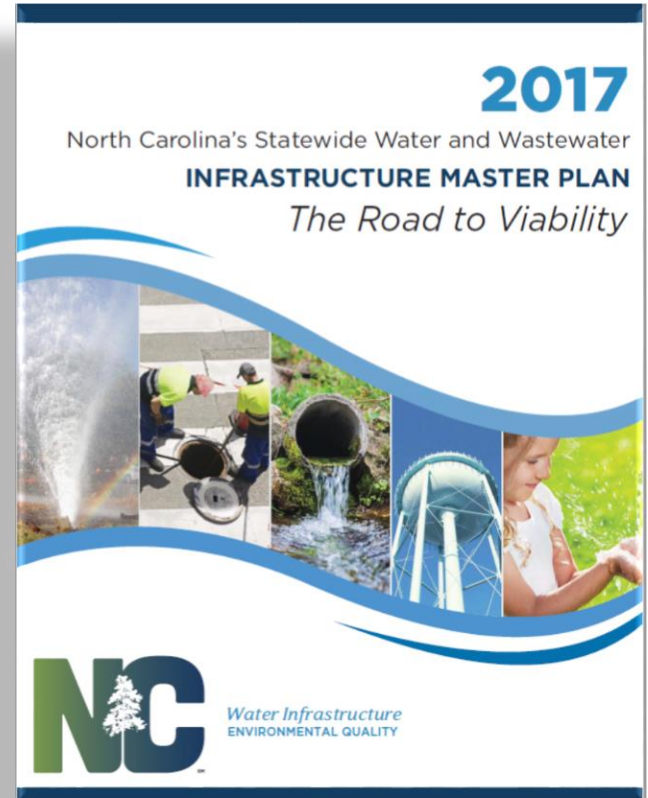
*Department of Environmental Quality
Division of Water Infrastructure*



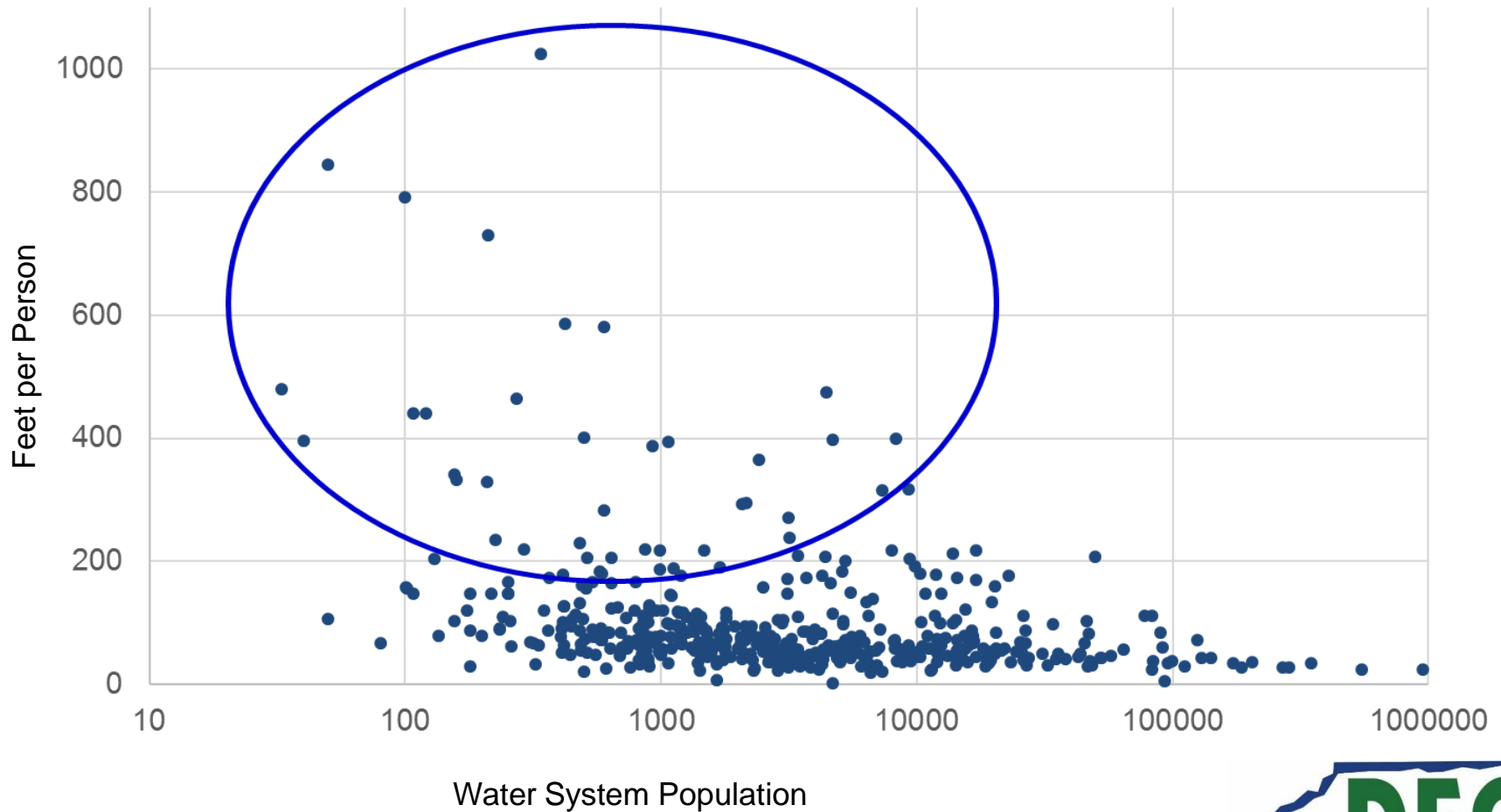
SWIA Master Plan Vision

The state will best be able to meet its water infrastructure needs by ensuring individual utilities are, or are on a path to be, viable systems

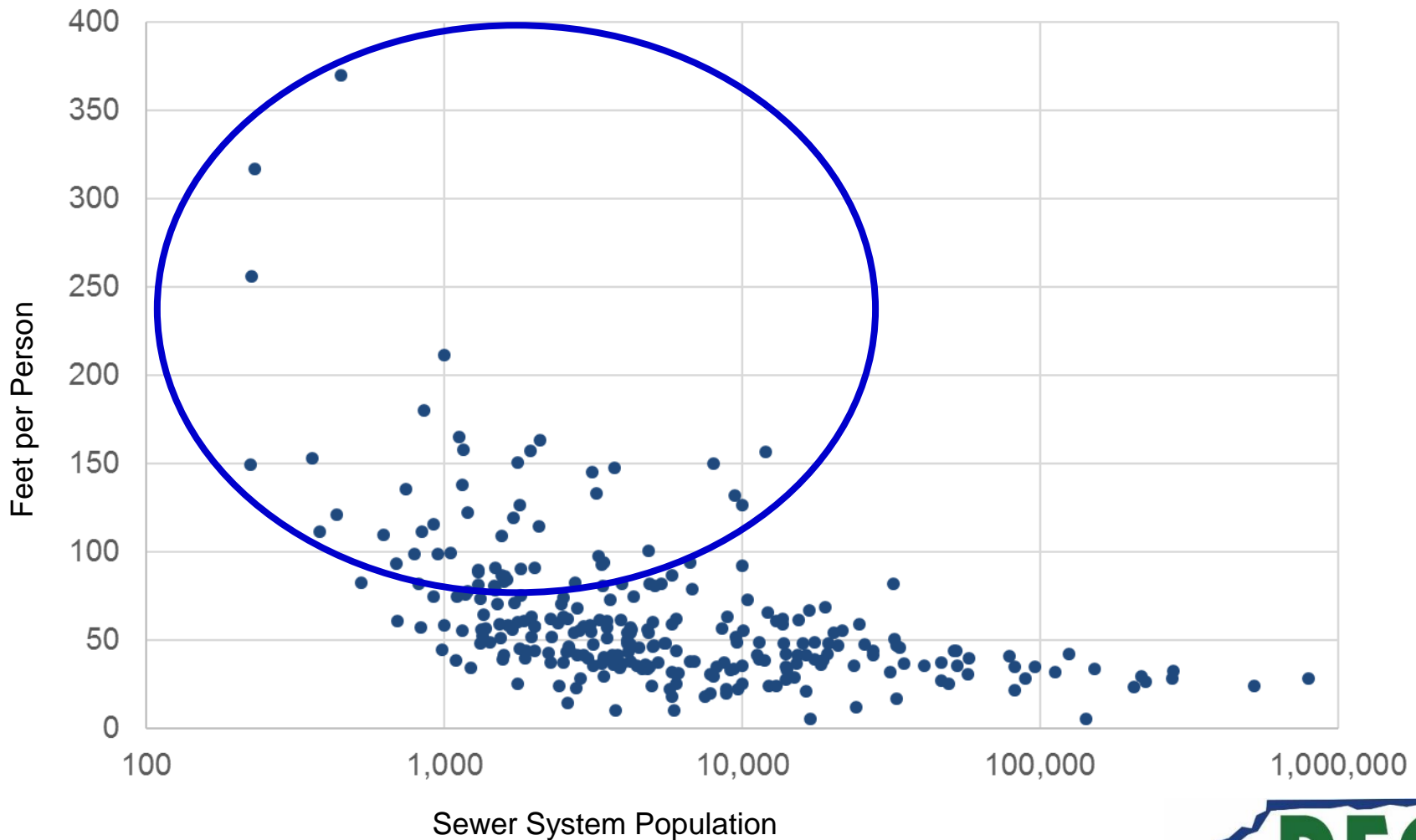
A viable system is one that functions as a long-term, self-sufficient business enterprise, establishes organizational excellence, and provides appropriate levels of infrastructure maintenance, operation, and reinvestment that allow the utility to provide reliable water services now and in the future



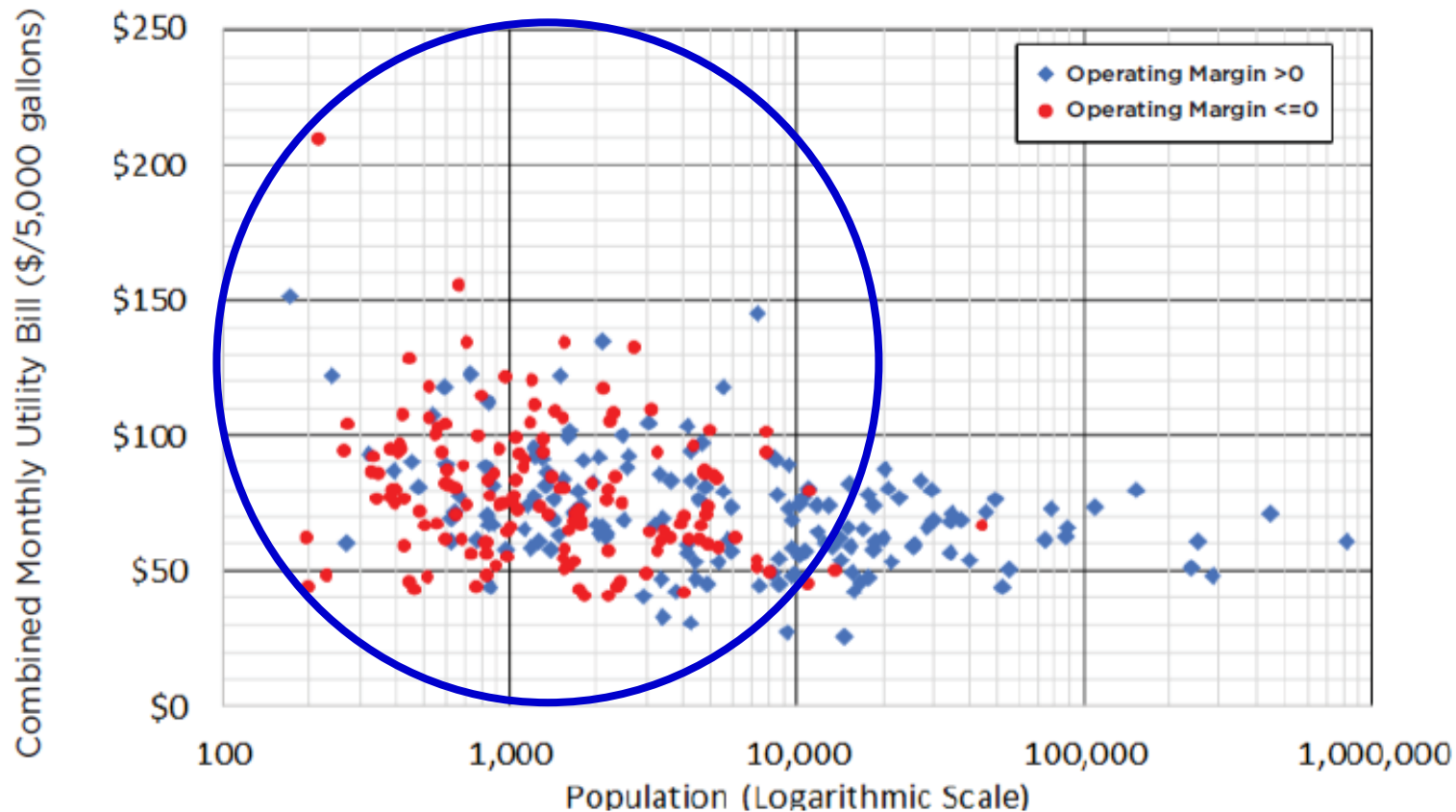
Water System Customer “Density” in NC



Sewer System Customer “Density” in NC



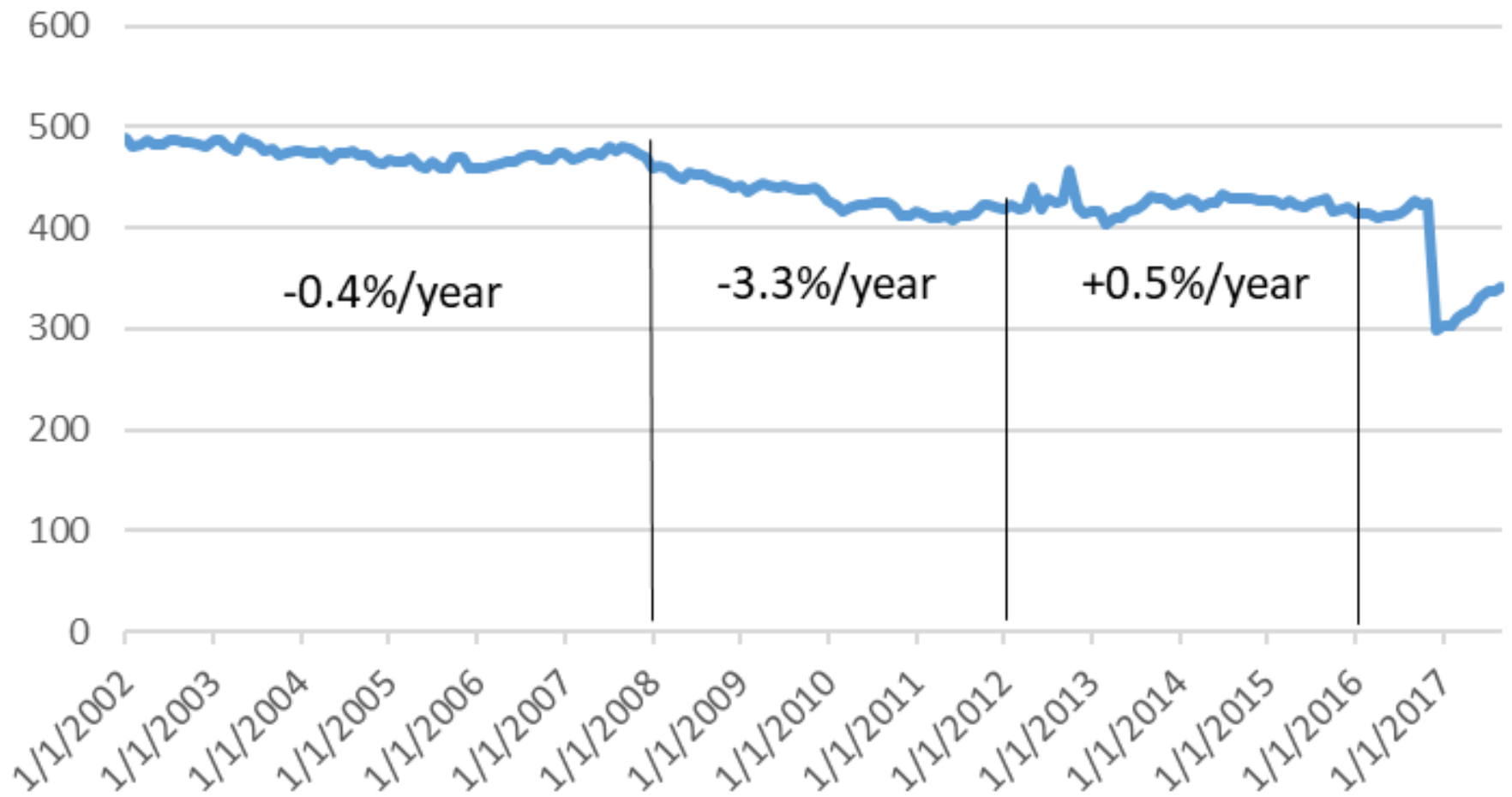
NC Water & Sewer Utility Operating Margins



Operating Margin = Total Operating Revenue—Operating Expenses

Utility Evaluation – Fair Bluff

Active Sewer Customers in Fair Bluff



Five Connected Towns – Current Sewer Revenue

Town	Customers	Current Residential Sewer Bill for 3,500 gal/ month	Sewer Billed FY 2016-17
Fairmont	1,102	\$28.87	\$453,000
Fair Bluff	374	\$45.53	\$307,000
Cerro Gordo	11	\$32.02	\$27,000
Boardman	40	\$33.25	\$22,000
Proctorville	59	\$30.00	\$18,000
Total Sewer Billed FY 2016-17			\$857,000



Five Connected Towns – Needed Sewer Revenue

Town	Preliminary Estimated Range of Capital Costs		Preliminary Estimated Range of <u>Annual</u> O & M Costs	
	Next 1-5 Years	Next 6-20 Years	Next 1-5 Years	Next 6-20 Years
Fairmont	\$10 - \$18 M	\$23 - \$25 M	\$1.2 - \$1.3 M	\$1.4 - \$2.2 M
Fair Bluff	\$3 - \$4 M	\$5 - \$7 M	\$560 - \$600 K	\$620 - \$990 K
Cerro Gordo	\$0.7 - \$1.6 M	\$1 - \$2.4 M	\$120 - \$130 K	\$140 - \$220 K
Boardman	\$0.3 - \$0.7 M	\$0.3 - \$0.4 M	\$72 - \$82 K	\$84 - \$130 K
Proctorville	\$0.4 - \$1 M	\$0.4 - \$0.8 M	\$80 - \$81 K	\$84 - \$146 K



Five Connected Towns – Long-term Solutions

Monthly Sewer Bills Comparison at 3,500 gal/month – In Year 1

Town	Towns Continue Current Practices with Upgraded Systems (Paid for by Towns)	New Integrated Sewer Utility (Possible <u>100%</u> assistance with capital costs Years 1-10)	Wastewater System Merger with Lumberton (Possible <u>100%</u> assistance with capital costs Years 1-10)	
Fairmont	\$57 - \$64	\$64	WW treated at Fairmont WWTP	WW treated at Lumberton WWTP
Fair Bluff	\$110 - \$120			
Cerro Gordo	\$420 - \$498		\$74	\$53
Boardman	\$141 - \$171	Assistance = \$24 - \$37 million	Assistance = \$26 - \$39 million	Assistance = \$40 - \$50 million
Proctorville	\$134 - \$152			



Five Connected Towns – Long-term Solutions

Monthly Sewer Bills Comparison at 3,500 gal/month – In Year 10

Town	Towns Continue Current Practices with Upgraded Systems (Paid for by Towns)	New Integrated Sewer Utility (Possible <u>100%</u> assistance with capital costs Years 1-10)	Wastewater System Merger with Lumberton (Possible <u>100%</u> assistance with capital costs Years 1-10)	
Fairmont	\$151 - \$230	\$97 - \$114	WW treated at Fairmont WWTP	WW treated at Lumberton WWTP
Fair Bluff	\$153 - \$216			
Cerro Gordo	\$750 - \$1,285		\$92 - \$106	\$65 - \$75
Boardman	\$219 - \$335	Assistance = \$24 - \$37 million	Assistance = \$26 - \$39 million	Assistance = \$40 - \$50 million
Proctorville	\$209 - \$316			



Solutions for Water Utilities

For Discussion Purposes Only

- Grant funds to establish viable utilities
 - Consolidate utilities (single management structure)
 - Fix deferred capital projects (reset the utility)
 - Provide incentives for viable system to help non-viable systems (existing customers of viable utility don't pay for other system)
- Utilize State Reserves (NCGS 159G)
 - Supplemented by existing loan program funding (as able)
 - Coordinate with other sources (USDA, disaster relief, etc.)



Solutions for Water Utilities

For Discussion Purposes Only

- Funding needed
 - \$30 - \$50 million per year for this effort
 - Funds not obligated for this effort should not be transferred to routine grant accounts
- Target utilities
 - Merger / Regionalization grant studies
 - Known systems with viability issues



Solutions for Water Utilities

For Discussion Purposes Only

- Grant conditions
 - Establish rates to ensure utility remains viable
 - Viability based on existing financial performance measures
 - Past performance used for existing viable utilities
 - Establish as grant conditions for new utilities, review in LGC audits
- Reporting to General Assembly

